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THE CREE AND THE DEVELOPMENT OF NATURAL RESOURCES

By David Descôteaux

Northern Quebec overflows with mineral resources whose development could generate substantial economic activity. To derive benefits from these resources successfully, businesses, the government and local communities—many of which consist of Aboriginal populations—must collaborate in order for everyone to have an interest in the economic success of development projects. In this regard, the Cree of Quebec have demonstrated over the years that it is possible to develop natural resources in such a way that everyone benefits, among other things by joining with companies to become stakeholders in development projects, invested in their success.

The goal of this *Economic Note* is to describe this collaboration model, which encourages and facilitates development in Quebec's north while respecting Aboriginal communities and forming partnerships with them.

THE CREE MODEL

The "Plan Nord" announced by the Quebec government in 2011, to be rolled out over a period of 25 years, aims specifically to seize the opportunities offered by the development of northern Quebec's resources.¹ It anticipates the public and private investment of many billions of dollars for the development of mineral resources and the construction of transportation infrastructure.

On this territory, which covers 72% of the province of Quebec, there are over 120,000 inhabitants, including 33,000 Aboriginals belonging to four First Nations: the Cree and Inuit in the Northern Quebec region, and the Naskapi and Innu living in the North Shore region (see Figure 1). The Cree

Nation, composed of some 16,000 people, already participates in certain mining projects and has benefited in recent years from the development of natural resources in the James Bay region. Not surprisingly, the standard of living in this Nation is among the highest of Quebec's Aboriginal peoples.

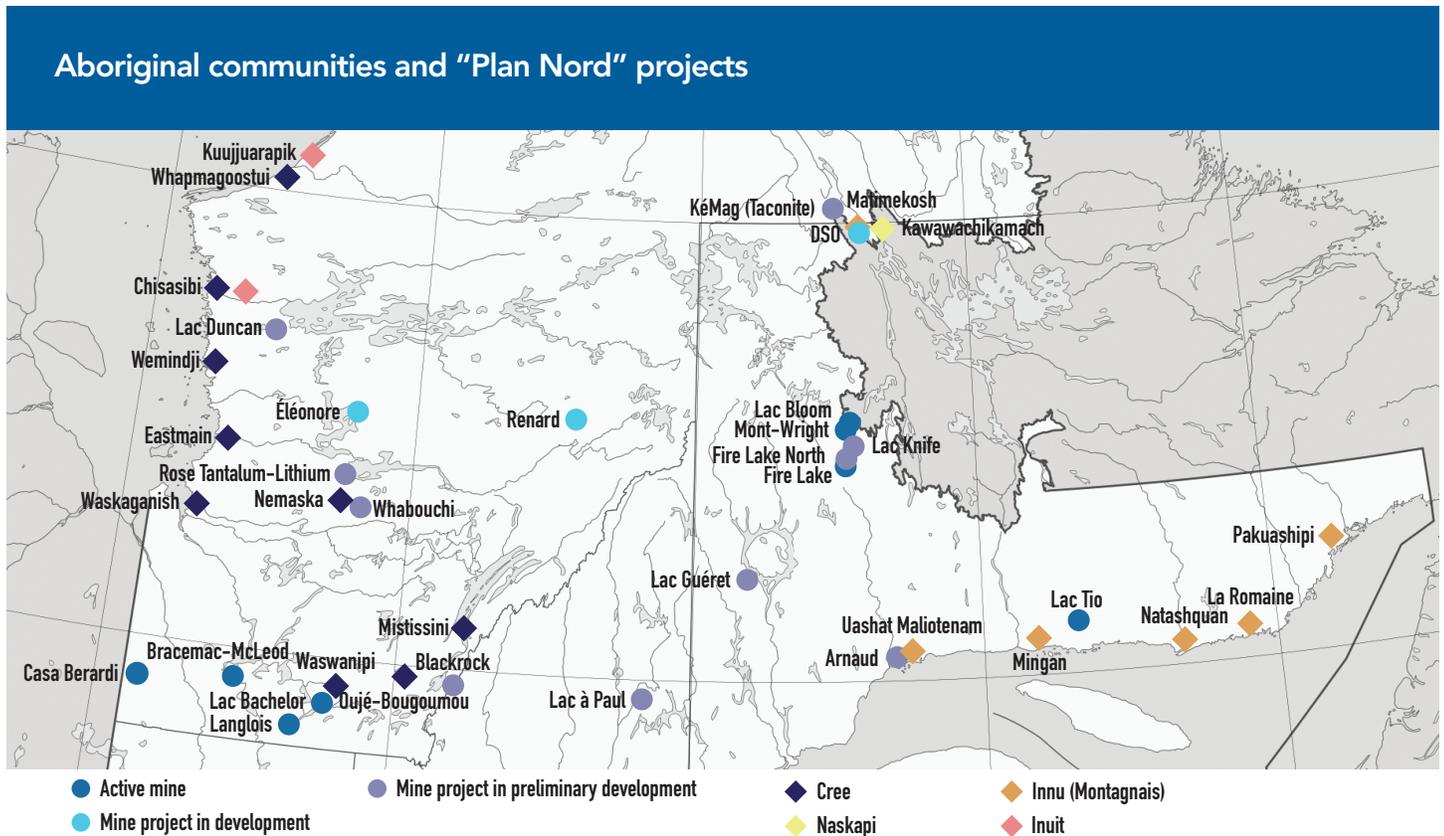
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It is the openness of Quebec's Cree Nation to resource development that explains, at least in part, its economic dynamism. The signature of the "Paix des Braves" (the Peace of the Braves) between the Quebec Government and the Grand Council of the Crees in 2002 was a major turning point.² This agreement, which aimed to encourage Cree and non-Cree organizations to collaborate in developing the territory's resources, transferred to the Cree the administration of a certain number of domains that used to be the responsibility of the Quebec government like social services, employment and economic development. It granted to the Cree an annual, tax-free payment of \$70 million, indexed to the increase in the value of natural resources development.³ The agreement allowed for the hiring of Cree workers by Hydro-Québec and by natural resource development companies. The Paix des Braves also reserved a portion of contracts for Cree businesses and stipulated the payment of royalties from Hydro-Québec.

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Figure 1



Sources: Ann Bigué and Frédéric Pagé, "Le Plan Nord et les autochtones," Lavery, November 2009; Government of Quebec, "Plan Nord."

An agreement like the Paix des Braves, by reducing the risk of conflict and by setting up a sound arbitrage process for determining the best locations for mining projects, avoids the "not in my backyard" phenomenon and maximizes the economic gains both for Aboriginal communities and for Quebec society as a whole.

BEYOND THE PAIX DES BRAVES

The framework of the Paix des Braves does not prevent a mining company from signing an agreement with a particular band council to share the profits of a mine. One of the first agreements of this kind was reached between the Inmet Mining Corporation and the Cree of Mistissini. The company wanted to work the gold and copper deposits of the Troilus Mine, west of Lake Mistassini. The two parties negotiated and signed an accord in 1995, in which the corporation committed to hiring Cree workers for up to 25% of its workforce, granted Aboriginal businesses priority for certain contracts, and paid an annual royalty to the Aboriginal community for the duration of the active life of the mine.⁴

Other agreements, most of them confidential, are based on mechanisms for sharing revenue with the community. This could mean, for example, royalties that will grow in step with the production of a mine, with profits earned, or with the evolution of the price of the resource. For instance, Black-Rock Metals, which exploits an iron ore mine near Chibou-

gamau, signed an agreement in 2013 with the Oujé-Bougoumou Cree community. In addition to providing training, education, employment and business opportunities for the community, it guarantees that the Cree will receive financial benefits linked to the future profitability of the iron ore and vanadium project.⁵

The Canadian Stornoway Diamond Corporation, for its part, signed an agreement in 2012 with the Mistissini Cree community and the Grand Council of the Crees for the Renard Diamond Project. The Cree will have employment priority; when equally qualified, contracts will be awarded to Cree businesses; and Stornoway will pay royalties to the Cree community to work the mine.⁶ The Goldcorp mining company negotiated a similar agreement with the Wemindji Cree community for the Éléonore gold-mining project in Northern Quebec. Under this agreement, the company commits to, among other things, provide the Cree with financial benefits in connection with the economic success of the project, specifically "through a variety of fixed payment mechanisms and participation in the future profitability of the mine."⁷

These agreements have enjoyed a certain degree of success, both in Quebec's north and elsewhere in Canada, but some of them have hit a few snags on occasion. This was the case, for instance, when tensions surfaced in 2013 between the northern Ontario Attawapiskat First Nation and the De Beers

diamond mining company. In this case, a better alignment of economic incentives based on revenue sharing, for example as a proportion of profits, could have facilitated the project's smooth operation. Indeed, one of the grievances of the Aboriginal community was that it considered its royalties (a fixed amount of \$2 million a year) too small compared to the annual production of the Victor Mine, evaluated at \$400 million.⁸

The current controversy regarding the Strateco Resources uranium exploration project (the Matoush project), located north of Chibougamau and of the Cree village of Mistissini, highlights another important factor in the success of development projects, which is however more a matter of law than economics, namely its "social acceptability."⁹ This project, which Quebec's office of environmental hearings (BAPE) was looking into at the time of writing, is contested by numerous groups and is subject to a moratorium. For resource development to take place to everyone's benefit, governments, companies and communities must all make an effort to find some common ground, within the existing legal framework, in order not to jeopardize development projects in general.

Certain recent agreements, involving the Cree among others, go further in the merging of economic interests. They contain the usual clauses regarding royalties, the hiring of local workers and contracts reserved for local businesses, but they also give the Aboriginal community a more direct financial stake in the economic success of the project.

One of the ways this is done is through stock ownership. The presence of Aboriginal shareholders in Quebec companies has historically been low, according to the available data.¹⁰ However, certain recent projects are reversing this trend. For example, the Cree community of Nemaska owns 3.6% of the shares of Nemaska Lithium's Whabouchi lithium mine project in the James Bay region.¹¹ Three Mi'kmaq communities in the Gaspé Peninsula will also be equal partners with the Longueuil firm Innergex in a windfarm in Escuminac that may feature up to 89 wind turbines. These communities will therefore become the biggest regional shareholders in a major Quebec windfarm with a 50% share in the project.¹²

This model has also been applied to another sector, that of forestry, with the conclusion of a partnership agreement between Resolute Forest Products and the Atikamekw community of Obedjiwan. This community's council hold a major-

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Table 1

Recent agreements between companies and Aboriginal communities		
Community	Company	Project
Cree of Nemaska	Nemaska Lithium	Whabouchi lithium mine (3.6% participation in the project)
Mi'kmaq of the Gaspé Peninsula	Innergex	Escuminac windfarm (50% participation in the project)
Atikamekw of Obedjiwan	Resolute Forest Products	Opitciwan sawmill (55% participation in the project)
Cree of Oujé-Bougoumou	BlackRock	Iron ore project (confidential)
Cree of Mistissini	Stornoway Diamond	Renard diamond project (confidential)
Cree of Wemindji	Goldcorp	Éléonore gold-mining project (confidential)

ity share of 55% in the Opitciwan sawmill, while Resolute holds the remainder.¹³

The more that local communities become stakeholders in development projects—whether by becoming shareholders or by signing agreements that provide gains for the community that increase at the same rate as the profits of the company—the more there is a convergence of interests for all the parties involved, and the greater are these projects' chances of success.

BENEFITS FOR COMMUNITIES

The Paix des Braves agreement, and the subsequent private contractual agreements with development companies, have been beneficial for Cree communities.

Canadian Aboriginals in general have lower average incomes than the non-Aboriginal population.¹⁴ Their participation in the labour market is also lower than the rest of the population. Federal government data show quite a different situation, however, for the Cree of James Bay since the Paix des Braves. In Eeyou Istchee, the name of the Cree territory in the James Bay region, the employment rate went from 46% in 2001 to 55.2%¹⁵ in 2006 (latest available data),¹⁶ surpassing the average of other Aboriginal communities.

This economic activity stems from the royalties that the Quebec government awards to the Cree, from the entrepreneurial spirit of the members of this Nation, but also from the development of resources. Because without Hydro-Québec's numerous hydroelectric projects, there would undoubtedly have been no Paix des Braves, and no royalties. Along the same lines, Aboriginal communities will be able to benefit from the development of natural resources, including mineral resources, in northern Quebec in the coming years. It is true that the prices of many metals have fallen in recent years, which has called into question the viability of certain mining projects. But the prices of natural resources are by nature cyclical, and the industry is expecting them to bounce back, stimulated by an eventual global economic recovery.

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CONCLUSION

For the development of natural resources in Quebec's north to expand, and benefit a greater number of people, the government and companies will need to embark upon new projects while being sure to involve Aboriginal communities. The more that local communities are invested in development projects, the greater will be the chances of success of those projects. This development model, in which the economic incentives of all of the parties are aligned, holds much promise for the future.

The example of the Cree is revealing. This Nation has generally been favourable to natural resource development projects that generate revenues, jobs and business opportunities. The agreements between the Quebec government and the Cree, and especially the Paix des Braves, have stimulated the economic and social development of these communities. Today, the Cree are also financial partners in numerous projects. This is a model that could serve as a source of inspiration for all Aboriginal communities.

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